

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO
FINANCE, ASSETS & PERFORMANCE SCRUTINY COMMITTEE**

25 September 2023

Report Title: Commercial Strategy update

Submitted by: Deputy Chief Executive

Portfolios: Portfolio Holders - Finance, Town Centres and Growth, and Sustainable Environment

Ward(s) affected: All

<p><u>Purpose of the Report</u></p> <p>To update Scrutiny Committee on the plans to review the delivery of the Commercial Strategy as major projects develop.</p>	<p><u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p><u>Recommendation</u></p> <p>That</p> <p>1. Scrutiny Committee receives a further report on the delivery of the Commercial Strategy in early 2024.</p>	
<p><u>Reasons</u></p> <p>The Council adopted the Commercial Strategy in October 2019. The report outlines the scope of the Commercial Strategy and recommends that a further report on the potential schemes that could be delivered as part of the strategy be reviewed early in the 2024 Scrutiny work programme. This is recommended as several schemes highlighted in the report are currently being developed to business case or contract award, therefore further information will be available for Scrutiny to consider in this timeframe.</p>	

1. Background

- 1.1 The Council's Commercial Strategy was adopted by Cabinet in October 2019. The aim of the commercial strategy is to facilitate sensible investments, based on local need and subject to robust risk management, which enable the Council to improve outcomes for our residents in accordance with the priorities set out in the Council Plan.
- 1.2 The Commercial Strategy set out the overriding objective of a Commercial Asset Acquisition Programme to generate and secure a long-term and

sustainable income stream for the Council. In 2019 the Council approved the principle of investing in assets with a projected minimum level of return of 2% above the cost of borrowing and other holding and management costs.

1.3 Direct investment in commercial property offers a relatively familiar path as the Council already has a diversified property portfolio including office, retail and industrial assets which currently generates a net annual revenue stream.

1.4 The aim of the strategic asset development programme will be to steer and manage development opportunities from the Council's property asset base so as to deliver capital receipts and improved revenue income streams but at the same time securing the regeneration and economic development objectives of the Council. Examples include acquisition and development of strategic town centre sites, housing and industrial sites within the borough (including, for example within the Chatterley Valley Enterprise Zone). Developments may be undertaken on a co-investment basis with public, not for profit and private sector partners.

2. Issues

2.1 The Council is working a range of projects that could be considered in line with the Commercial Strategy, the following outline the headline project and indicative timescales for more business case / contract information:

2.1.1 Ryecroft

Development of new multi-storey car park (Castle car park), partially funded by the Future High Street's fund. A contract has been let to Morgan Sindall and construction will commence this month.

Development of a new hotel, tenders for the hotel brand are currently being evaluated, this will inform procurement of the design and build contractor to provide initial costs and design steps.

2.1.2 York Place Shopping Centre

The Council acquired the York Place shopping centre in early 2022 to facilitate the delivery of the Future High Street Fund regeneration proposals and improvements to the town centre. The September Cabinet is due to consider a report on the key regeneration sites and recommends to agree to the procurement through a direct award under the Pagabo Development Management Framework of Capital and Centric to develop plans and development business cases for the York Place and Midway Car Park sites.

2.1.3 Midway Car Park

Upon completion of the Castle car park on the Ryecroft site, the Midway Car Park will become surplus to requirements and therefore alternative uses will need to be considered. Funds are allocated in the Town Deal for its demolition, and the site is earmarked for residential development. Further work will be required on the business case for the future use.

2.1.4 Land Adjacent to Keele Cemetery

There are plans to install a solar energy installation on Council owned land that is adjacent to Keele Cemetery, this project is in the planning stage and further details will be provided in a report to the October Cabinet meeting.

2.1.5 Chatterley Valley

The Council is currently working with the land owner on the development of the overall site and there is a potential for the Council to invest in the site for commercial returns and regeneration of the site – to bring employment opportunities to the Borough as set out below:

Plot D - to construct a circa 120,000 sq. ft. unit which will be let to an advanced ceramics organisation and associated research facility,

Plot C - to construct a circa 78,000 sq. ft. of industrial space which will be, split into units ranging from 19,000 sq. ft to 33,000 sq. ft. When built these units will form part of the Council's non-operational (investment portfolio) and be leased out.

2.1.6 Enterprise Units

The former Zanzibar nightclub (Aspire Housing owned) has been demolished. It is intended to be replaced with residential development, along with approximately 6 small enterprise units which the Council will own and manage.

3. Recommendation

- 3.1 Scrutiny Committee receives a further report on the delivery of the Commercial Strategy in early 2024.

4. Reasons

- 4.1 Generating efficiencies and additional income by adopting a more commercial approach is a key in the Council's plans for maintaining financial sustainability in the medium to long term. The Commercial Strategy provides a framework for managing and coordinating commercial activities, it is appropriate that the Council reviews key major projects when they are at an appropriate stage of business planning and contract award.

5. Options Considered

- 5.1 The Council continues to progress a number of strategies and approaches to ensure that it can maintain a financially sustainable future and deliver the key priorities set out in the Council plan.

6. Legal and Statutory Implications

- 6.1 The Local Government Act 2000 - powers to promote the economic, social and environmental wellbeing of the Borough.
- 6.2 The Council will need to make sure that its commercial activities are legally and state aid compliant, including having regard to the Public Sector Duty within the Equality Act 2010, statutory guidance on local authority investments and The Prudential Code for Capital Finance in Local Authorities.

- 6.3 All commercial projects and investment opportunities will be examined to ensure that they are within the Council's powers and legal implications will be identified on a case by case basis.

7. **Equality Impact Assessment**

- 7.1 The Commercial Strategy does not create any specific equality impacts.

8. **Financial and Resource Implications**

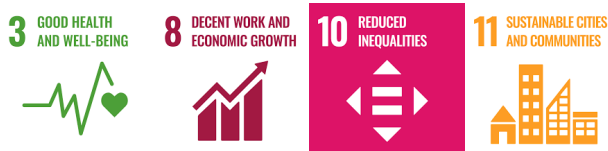
- 8.1 As detailed in section 2 of the report, the Council is working a range of projects that could be considered in line with the Commercial Strategy. Financial details in respect of these projects will be provided in early 2024 once approval to proceed has been made by Cabinet.

9. **Major Risks & Mitigation**

- 9.1 Management of risk is central to the Council's commercial approach and all potential activities will be assessed with due regard to the risks being taken. This will be in line with the Council's corporate approach to risk management.

10. **UN Sustainable Development Goals (UNSDG)**

- 10.1 This strategy is intended to ensure that the assets held by the Council support the corporate objectives and service needs. In that respect, the project supports the realisation of the following UNSDG objectives:-



11. **Key Decision Information**

- 11.1 The strategy affects more than 2 wards and future investments have the potential to have significant financial implications. This will be subject to further reports which may be key decisions.

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 Cabinet 16th October 2019 adopted the Commercial Strategy.

13. **List of Appendices**

- 13.1 None.

14. **Background Papers**

- 14.1 Commercial Strategy 2019/24.